

**GEARY COUNTY RURAL WATER DISTRICT NO. 4
GEARY COUNTY, KANSAS**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

For the Years Ended December 31, 2015 and 2014

GEARY COUNTY RURAL WATER DISTRICT NO. 4
Geary County, Kansas

TABLE OF CONTENTS

	Page Number
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 4
STATEMENTS OF NET POSITION	5
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	6
STATEMENTS OF CASH FLOWS	7
NOTES TO THE FINANCIAL STATEMENTS	8 - 14
<u>SUPPLEMENTAL INFORMATION</u>	
BUDGET REPORT - CASH BASIS	15



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Geary County, Kansas
Rural Water District No. 4
Milford, Kansas 66514

We have audited the accompanying financial statements of the business-type activities of Geary County Rural Water District No. 4, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Geary County Rural Water District No. 4, as of December 31, 2015 and 2014 and the respective changes in financial position and cash

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flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3, 4 and 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Pottberg, Gassman & Hoffman, Chd.

POTTBERG, GASSMAN & HOFFMAN, CHARTERED
Junction City, Kansas
May 27, 2016

GEARY COUNTY RURAL WATER DISTRICT NO. 4

Geary County, Kansas

December 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Geary County Rural Water District No. 4 (District) annual financial report, the District's management provides narrative discussion and analysis of the financial activities of the District for the year ended December 31, 2015. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Statements

The attached financial statements present the assets and liabilities, revenues and expenses and changes in net position of the District on the accrual basis of accounting. The statements of net position provide information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the components (assets and deferred outflows of resources, less liabilities and deferred inflows of resources) presented as net position. Net position is reported in three categories: net investment in capital assets, restricted, and unrestricted. Over time, increases or decreases in net position may serve as useful indicators of whether the District's financial position is improving or deteriorating.

The statements of revenues, expenses, and changes in net position present information showing how the net position of the District changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods. The statements of cash flows reverse the accruals to show the effect of the annual transactions on the available cash balance. Both the financial statements and supplemental information are shown comparative to the prior year.

Financial Highlights

The District's total assets increased by \$40,215 from December 2014 to December 2015 with the largest increase occurring in cash and cash equivalents. Capital assets before depreciation increased \$7,718 from December 2014 to December 2015. Purchases related to a new benefit unit and line repairs totaling \$6,498 and a vehicle for \$23,645 were offset by a vehicle disposal of \$19,000 and equipment disposals totaling \$3,425.

Total liabilities decreased by \$48,218 due primarily to the long-term debt payments. Total net position increased \$88,433 between December 2014 and December 2015. Of the \$88,433 increase, \$5,357 was an increase in net investment in capital assets and \$83,076 was an increase in unrestricted net position. The net assets restricted for the bond and loan reserve remained unchanged.

Operating revenues remained fairly level with an increase of \$9,445. The District continues to set aside funds for capital improvements and bond and note payments. Operating expenses decreased \$24,007 from December 2014 to December 2015 primarily related to \$10,524 for filter cleaning and labor for the installation of the new Automatic Reader System that occurred in 2014 and were not repeated in 2015. The decrease in non-operating expenses of \$33,252 was primarily due to an expenditure in the prior year of \$29,756 for well cleaning and a decrease of \$4,212 in interest expense. Accordingly, capital contributions increased \$4,000.

The budget adopted by the board for 2015 is a basic budget to set guidelines for the District's expenditures. The district does not have any statutory requirements limiting expenses to those

GEARY COUNTY RURAL WATER DISTRICT NO. 4

Geary County, Kansas

December 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

budgeted, but continues to monitor the budget and keep expenditures as close as possible to the budget.

Additional Information

During the year 2015, the main issues discussed by management and the board of directors were the Installation of generators at the Filtration Plant and Well #3. The board also continued discussion of the possibilities on additional water storage and improvements to the district by the purchasing of land adjacent to the District Property. The district remains in compliance with all guidelines set by KDHE and EPA.

Growth continues this year with the sale of 4 new benefit units and a reinstatement of one. The district continues to absorb the growth.

The District continues to work on improving the condition of equipment that is corroded due to chlorine corrosive vapors at the plant. The Filters were repainted and other maintenance performed. The control panel for the filter operations was replaced and programmed.

The District continued to set aside funds of \$18,000 and \$84,000 for capital improvements and for bond and note payments respectively. The budget adopted by the board for 2015 is a basic budget just to set guidelines for the District's expenditures. The district does not have any statutory requirements limiting expenses to those budgeted, but continues to monitor the budget and keep expenditures as close as possible to the budget.

The Board continues to discuss the possible early pay off of the State Revolving loan. Some discussion as to the direction the board should take as to sale of water has occurred and the board is dedicated to providing water first of all the residential customers.

This financial report is designed to provide a general overview of the District's finances and demonstrate the District's commitment to public accountability. If you have any question about this report or would like to request additional information, contact the District office at 8425 Quarry Road, Milford, KS 66514.

GEARY COUNTY RURAL WATER DISTRICT NO. 4
STATEMENTS OF NET POSITION
DECEMBER 31,

ASSETS		
Current Assets	<u>2015</u>	<u>2014</u>
Checking Account - CNB	\$ 101,783	\$ 83,663
Money Market - CNB Capital Improvement	35,352	17,339
Money Market - CNB Principal and Interest	<u>271,637</u>	<u>223,667</u>
Cash and Cash Equivalents	408,772	324,669
Accounts Receivable (net)	396	24,871
Accrued Receivables	<u>23,430</u>	<u>-</u>
Total Current Assets	<u>432,598</u>	<u>349,540</u>
Noncurrent Assets		
Capital Assets		
Utility System	1,506,306	1,499,807
Building	111,274	111,274
Equipment	88,030	91,455
Vehicle	23,644	19,000
Land Improvements	40,000	40,000
Land	18,036	18,036
Filtration System	547,848	547,848
Well Project	420,729	420,729
Accumulated Depreciation	<u>(1,261,954)</u>	<u>(1,211,393)</u>
Total Capital Assets	<u>1,493,913</u>	<u>1,536,756</u>
Bond Reserve - CNB Certificate of Deposit	49,005	49,005
Loan Reserve	<u>38,397</u>	<u>38,397</u>
Total Noncurrent Assets	<u>1,581,315</u>	<u>1,624,158</u>
TOTAL ASSETS	<u>2,013,913</u>	<u>1,973,698</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accrued Interest Payable	3,373	3,687
Water Deposits	42,349	42,053
Current Portion of Long-Term Debt	<u>39,654</u>	<u>39,316</u>
Total Current Liabilities	<u>85,376</u>	<u>85,056</u>
Noncurrent Liabilities		
Public Water Supply Loan Fund	216,298	235,098
Revenue Bonds Payable - 2010 (net of bond discount)	185,000	214,400
Less Current Portion	<u>(39,654)</u>	<u>(39,316)</u>
Total Noncurrent Liabilities	<u>361,644</u>	<u>410,182</u>
Total Liabilities	<u>447,020</u>	<u>495,238</u>
Net Position		
Net Investment in Capital Assets	1,092,615	1,087,258
Restricted - Bond and Loan Reserve	70,397	70,397
Unrestricted	<u>403,881</u>	<u>320,805</u>
Total Net Position	<u>1,566,893</u>	<u>1,478,460</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$2,013,913</u>	<u>\$1,973,698</u>

The notes to the financial statements are an integral part of these statements.

GEARY COUNTY RURAL WATER DISTRICT NO. 4
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Water Revenues	\$ 309,840	\$ 300,395
TOTAL OPERATING REVENUES	<u>309,840</u>	<u>300,395</u>
OPERATING EXPENSES		
Bank Charges	417	332
Billing Services	7,982	7,980
Chemicals	7,159	9,537
Dues	1,544	567
Fuel Surcharge	286	-
Insurance	14,824	13,979
Maintenance	14,092	29,835
Miscellaneous	1,343	1,529
Office Supplies	1,233	2,154
Officer's Fees	1,440	1,440
Payroll Taxes	3,348	3,540
Postage	3,233	1,419
Professional Fees	6,931	5,995
Recording Secretary	1,170	720
Reimbursements	2,236	3,605
Retirement	1,245	1,206
Supplies	5,753	6,396
Taxes - Clean Water Fee	794	1,105
Taxes - Water Protection Fee	847	1,179
Telephone	2,913	2,970
Utilities	26,945	26,370
Vehicle Expenses	1,519	3,111
Wages	41,770	44,259
Water Conference Expense	-	2,395
Water Testing	1,227	2,635
TOTAL OPERATING EXPENSES	<u>150,251</u>	<u>174,258</u>
INCOME FROM OPERATIONS BEFORE		
DEPRECIATION	159,589	126,137
Depreciation	(72,986)	(77,324)
OPERATING INCOME	<u>86,603</u>	<u>48,813</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	152	195
Other Income	1,400	2,600
Well Cleaning	-	(29,756)
Rent and Rebate	4,164	2,882
Loan Fees	(755)	-
Interest Expense	(13,131)	(17,343)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(8,170)</u>	<u>(41,422)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	78,433	7,391
Capital Contributions	10,000	6,000
CHANGE IN NET POSITION	88,433	13,391
NET POSITION, BEGINNING	1,478,460	1,465,069
NET POSITION, ENDING	<u>\$ 1,566,893</u>	<u>\$ 1,478,460</u>

The notes to the financial statements are an integral part of these statements.

GEARY COUNTY RURAL WATER DISTRICT NO. 4
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 310,885	\$ 296,910
Cash payments to suppliers for goods and services	(87,610)	(110,324)
Cash payments to employees and professional contractors for services	(62,641)	(63,934)
Net cash provided (used) by operating activities	<u>160,634</u>	<u>122,652</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(30,143)	(108,741)
Principal paid on bond and loan	(48,800)	(48,743)
Interest paid on bonds and notes	(13,626)	(14,219)
Customer deposits	296	624
Well Cleaning	-	(29,756)
Other Capital Activities	1,426	-
Rent and rebate	4,164	2,882
Capital contributions	10,000	8,600
Net cash provided (used) by capital and related financing activities	<u>(76,683)</u>	<u>(189,353)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	152	195
Net cash provided (used) by investing activities	<u>152</u>	<u>195</u>
Net increase (decrease) in cash and cash equivalents	84,103	(66,506)
CASH AND CASH EQUIVALENTS AT JANUARY 1,	324,669	391,175
CASH AND CASH EQUIVALENTS AT DECEMBER 31,	<u>408,772</u>	<u>324,669</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	86,603	48,813
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	72,986	77,324
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	24,475	(3,485)
Decrease (increase) in accrued receivables	(23,430)	-
Total adjustments	<u>74,031</u>	<u>73,839</u>
Net cash provided by operating activities	<u>\$ 160,634</u>	<u>\$ 122,652</u>

The notes to the financial statements are an integral part of these statements.

GEARY COUNTY RURAL WATER DISTRICT NO. 4

Geary County, Kansas
December 31, 2015

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Description

The Rural Water District No. 4, Geary County, Kansas, was declared incorporated as a quasi-municipal Corporation by the Board of Commissioners of Geary County, Kansas, in April of 1976. The District is located near Milford, Kansas and was organized pursuant to K.S.A. 89a-612 to provide water to its subscribers. The following is a summary of the District's significant accounting policies.

Basis of Accounting

The water District is a governmental organization operated as a business (propriety) type entity. The District's financial information is accounted for using the economic resources measurement focus and the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues are those that are generated from primary operations. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations. All other expenses are reported as non-operating expenses, such as reimbursements for joining the water district.

Statements of Cash Flows

For purposes of the statements of cash flows, the District considers all bank deposit accounts, money market accounts, and certificates of deposits classified as current assets to be cash and cash equivalents. At December 31, 2015 and 2014, cash and cash equivalents consisted of demand and money market accounts with local financial institutions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Capital assets purchased are capitalized at cost or estimated historical cost if actual cost is unavailable. The District's policy is to capitalize all assets with a cost of \$500 or more and a useful life exceeding one year. Depreciation is recorded based on the estimated useful life of each asset using the straight-line method. The estimated useful lives of the assets range from 5 to 50 years.

Allowance for Doubtful Accounts

The District bills customers on a monthly basis. Invoices not paid by the 16th of the month incur a late fee. A notice to disconnect is sent if the invoice remains unpaid. As most customers pay before they are disconnected and there have been no amounts written off in the past three years, management has set the allowance account at zero.

GEARY COUNTY RURAL WATER DISTRICT NO. 4

Geary County, Kansas
December 31, 2015

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Noncurrent Assets

Noncurrent assets primarily include capital assets and reserve for bonds. The amounts placed in the reserve often exceed the amount legally required to be restricted. The amounts legally required to be restricted are included in the bonds and loans payable footnotes (Notes 7 and 8).

Taxes

The District is exempt from federal and state income taxes.

Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Date of Management's Review

Management has performed an analysis of the activities and transactions subsequent to December 31, 2015, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through May 27, 2016, which is the date at which the financial statements were available to be issued.

NOTE 2 – DEPOSITORY SECURITY

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods." The District has no designated "peak periods." All deposits were legally secured at December 31, 2015.

At December 31, 2015, the District's carrying amount of deposits was \$457,777 and the bank balance was \$464,198. The bank balance was held by one bank. Of the bank balance, \$250,000 was covered by federal depository insurance and \$214,198 was collateralized with securities held by the pledging financial institution's agents in the District's name. The amount on deposit in

GEARY COUNTY RURAL WATER DISTRICT NO. 4

Geary County, Kansas
December 31, 2015

NOTES TO THE FINANCIAL STATEMENTS**NOTE 2 – DEPOSITORY SECURITY, CONTINUED**

excess of the federal depository insurance corporation limit was more than 5% of the total bank balance which resulted in a concentration of credit risk per GASBS 40, paragraph 11.

At December 31, 2014, the District's carrying amount of deposits was \$373,674 and the bank balance was \$383,202. The bank balance was held by one bank. Of the bank balance, \$250,000 was covered by federal depository insurance and \$133,202 was collateralized with securities held by the pledging financial institution's agents in the District's name. The amount on deposit in excess of the federal depository insurance corporation limit was more than 5% of the total bank balance which resulted in a concentration of credit risk per GASBS 40, paragraph 11.

The following is a comparison of depository security with balances on deposit with the District's designated depository at December 31, 2015 and 2014:

<u>Year</u>	<u>Depository</u>	<u>Demand Deposits on December 31</u>	<u>Time Deposits on December 31</u>	<u>FDIC Coverage</u>	<u>Pledged Securities</u>	<u>Unsecured Deposits</u>
2015	Central National Bank	\$ 414,579	\$ 49,619	\$ 250,000	\$ 214,198	\$ -
2014	Central National Bank	333,830	49,372	250,000	133,202	-

NOTE 3 – RECEIVABLES

Accounts receivable are customer water bills that have been invoiced but remain unpaid. The balance is shown net of the allowances for doubtful accounts. The following is an aging of accounts receivable for the District at December 31, 2014 and 2015:

	<u>Total</u>	<u>Current</u>	<u>Over 30 Days</u>
2015	\$396	\$396	\$ -
2014	\$24,871	\$24,871	\$ -

Accrued receivables reflect customer water usage that has not been billed. The balance of accrued receivables as of December 31, 2015 and 2014 was \$23,430 and \$0 respectively.

NOTE 4 – CAPITAL ASSETS

Capital assets are carried at cost. The Utility System, wells, and related costs are being depreciated over 20 to 50 years and office equipment and vehicles from 5 to 20 years, both using the straight-line method.

Capital Asset Activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Capital Acquisitions / (Depreciation)</u>	<u>(Sales) / Disposals</u>	<u>Ending Balance</u>
Capital Assets not Being Depreciated:				
Land	\$ 18,036	-	-	\$ 18,036

GEARY COUNTY RURAL WATER DISTRICT NO. 4

Geary County, Kansas

December 31, 2015

NOTES TO THE FINANCIAL STATEMENTS**NOTE 4 – CAPITAL ASSETS, CONTINUED**

	Beginning Balance	Capital Acquisitions / (Depreciation)	(Sales) / Disposals	Ending Balance
Capital Assets Being Depreciated:				
Land Improvements	40,000	-	-	40,000
Building	111,274	-	-	111,274
Vehicle	19,000	23,645	(19,000)	23,645
Equipment	91,455	-	(3,425)	88,030
Filtration System	547,848	-	-	547,848
Utility System	1,920,536	6,498	-	1,927,034
Total Capital Assets Being Depreciated	2,730,113	30,143	(22,425)	2,737,831
Less Accumulated Depreciation For:				
Land Improvements	(40,000)	-	-	(40,000)
Building	(39,532)	(3,012)	-	(42,544)
Vehicle	(19,000)	(3,152)	19,000	(3,152)
Equipment	(27,627)	(5,647)	3,425	(29,849)
Filtration System	(135,427)	(13,696)	-	(149,123)
Utility System	(949,807)	(47,479)	-	(997,286)
Total Accumulated Depreciation	(1,211,393)	(72,986)	22,425	(1,261,954)
Net Being Depreciated	1,518,720	(42,843)	-	1,475,877
Total Capital Assets	\$ 1,536,756	(42,843)	-	\$ 1,493,913

Capital Asset Activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Capital Acquisitions / (Depreciation)	(Sales) / Disposals	Ending Balance
Capital Assets not Being Depreciated:				
Land	\$ 18,036	-	-	\$ 18,036
Capital Assets Being Depreciated:				
Land Improvements	40,000	-	-	40,000
Building	111,274	-	-	111,274
Vehicle	19,000	-	-	19,000
Equipment	71,474	19,981	-	91,455
Filtration System	547,848	-	-	547,848
Utility System	1,831,776	88,760	-	1,920,536
Total Capital Assets Being Depreciated	2,621,372	108,741	-	2,730,113
Less Accumulated Depreciation For:				
Land Improvements	(40,000)	-	-	(40,000)
Building	(36,520)	(3,012)	-	(39,532)
Vehicle	(19,000)	-	-	(19,000)
Equipment	(22,270)	(5,357)	-	(27,627)
Filtration System	(121,731)	(13,696)	-	(135,427)
Utility System	(894,548)	(55,259)	-	(949,807)
Total Accumulated Depreciation	(1,134,069)	(77,324)	-	(1,211,393)
Net Being Depreciated	1,487,303	31,417	-	1,518,720
Total Capital Assets	\$ 1,505,339	31,417	-	\$ 1,536,756

GEARY COUNTY RURAL WATER DISTRICT NO. 4

Geary County, Kansas
December 31, 2015

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS, CONTINUED

Depreciation expense for the years ended December 31, 2015 and 2014 was \$72,986 and \$77,324 respectively.

NOTE 5 – BUDGETS AND BUDGETARY ACCOUNTING

The District is not required to adopt a legal budget; therefore, no budgetary comparison is prepared as a financial statement. The Board approves an estimated budget each year per K.S.A. 82a-628, which is used by management to internally monitor the District's expenditures and is presented as supplementary information.

NOTE 6 – RETIREMENT PLAN

The District has adopted a SEP-IRA plan. The plan allows the District to make contributions into individual retirement arrangements on behalf of the employees. Contributions are made at the financial institution where the employee maintains his or her SEP account. As an IRA the employee is always fully vested in the account. Eligible employees have reached age 21, worked for the employer in at least three of the immediately preceding five years, and received at least \$500 in compensation. All eligible employees receive the same percentage contribution from the District up to a maximum of 25% of their wages up to \$49,000. For the year ended December 31, 2015 the total retirement expense was \$1,205 (3% plus fees).

NOTE 7 – BONDS PAYABLE

On August 19, 2010, the district issued \$320,000 in Kansas Rural Water Finance Authority Refunding Revenue Bonds, Series C 2010 at an interest rate of 2.993%. Water revenues are used as security for these bonds.

The bonds were issued at various rates from 1.0% to 3.2% which mature as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2016	30,000	5,400	35,400
2017	30,000	4,720	34,720
2018	30,000	3,880	33,880
2019	30,000	3,040	33,040
2020	65,000	2,080	67,080
Totals	\$ 185,000	\$ 19,120	\$ 204,120

Issuance costs of \$15,200 were paid and expensed at the time these revenue bonds were issued. A bond reserve account of \$32,000 is required to be maintained for the life of the bonds. This amount plus interest earned is in a certificate of deposit at Central National Bank and is shown as a noncurrent asset in the statements of net position.

GEARY COUNTY RURAL WATER DISTRICT NO. 4

Geary County, Kansas
December 31, 2015

NOTES TO THE FINANCIAL STATEMENTS**NOTE 8 – NOTE PAYABLE**

In September 2003 the District started construction on a Filtration Plant with money received from the Kansas Water Supply Loan Fund administered by the Kansas Department of Health and Environment. Construction was completed in September 2004. Loan fees in the amount of \$4,800 were paid and expensed at the time the loan was issued. A reserve account is held by the State in the amount of \$38,397. The loan is secured by water revenue.

The repayment schedule for this loan is as follows.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Service Fee</u>	<u>Total Payment</u>
2016	19,481	6,852	740	27,073
2017	20,187	6,215	671	27,073
2018	20,918	5,555	600	27,073
2019	21,676	4,871	526	27,073
2020	22,461	4,162	450	27,073
2021-2025	111,575	9,252	999	121,826
Totals	<u>\$ 216,298</u>	<u>\$ 36,907</u>	<u>\$ 3,986</u>	<u>\$ 257,191</u>

NOTE 9 – LONG TERM DEBT SUMMARY

The following schedule shows the changes in long-term debt and related maturities for the year ended December 31, 2015:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Outstanding 1-1-15</u>	<u>Principal Payments</u>	<u>Outstanding 12-31-15</u>	<u>Date Due</u>	<u>Interest Paid In 2015</u>
State Loan	12/17/04	\$383,965	235,098	18,800	216,298	2/1/2025	7,466
Bond 2010	08/19/10	\$320,000	<u>215,000</u>	<u>30,000</u>	<u>185,000</u>	12/01/2020	<u>6,160</u>
Total Indebtedness			<u>\$ 450,098</u>	<u>\$ 48,800</u>	<u>\$ 401,298</u>		<u>\$ 13,626</u>

The following schedule shows the changes in long-term debt and related maturities for the year ended December 31, 2014

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Outstanding 1-1-14</u>	<u>Principal Payments</u>	<u>Outstanding 12-31-14</u>	<u>Date Due</u>	<u>Interest Paid In 2014</u>
State Loan	12/17/04	\$383,965	253,241	18,143	235,098	2/1/2025	8,930
Bond 2010	08/19/10	\$320,000	<u>245,000</u>	<u>30,000</u>	<u>215,000</u>	12/01/2020	<u>6,760</u>
Total Indebtedness			<u>\$ 498,241</u>	<u>\$ 48,143</u>	<u>\$ 450,098</u>		<u>\$ 15,690</u>

GEARY COUNTY RURAL WATER DISTRICT NO. 4

Geary County, Kansas
December 31, 2015

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – DEBT SERVICE RATIO

The bond issue and state loan covenants require the District to maintain a debt service ratio of at least 1.25.

Debt Service Ratio Calculation for the years ending:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Change in Net Position	\$ 88,433	13,391
Interest Expense	13,131	17,343
Depreciation	72,986	77,324
Less Capital Contributions	(10,000)	(6,000)
Total Revenue Available for Debt Service	<u>\$ 164,550</u>	<u>\$ 102,058</u>
Debt Service Payments	\$ 48,800	\$ 48,143
Debt Service Ratio	<u>3.37</u>	<u>2.12</u>

NOTE 11 - LITIGATION

There were no legal actions involving the Geary County Rural Water District No. 4 as of December 31, 2015.

NOTE 12 – RISK MANAGEMENT

Geary County Rural Water District No. 4 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the District has purchased commercial insurance coverage from EMC Companies through Anderson Peck Agency Inc. in Topeka, Kansas. Settled claims resulting from these risks have not exceeded commercial coverage in the past three fiscal years.

NOTE 13 – RELATED PARTIES

All of the members of the board of directors and employees are water district customers. No material transactions occurred in 2015 between the District and the directors and employees other than payment for water used on the same basis as other water customers and approved salaries and wages. No amounts are past due.

NOTE 14 – COMPENSATED ABSENCES

Vacation and sick leave is awarded at 8 hours per month for full-time employees over the age of 21. Forty hours of vacation may be carried over into the next year, or additional hours carried over or paid at the discretion of the board, while all sick leave is accumulative and carried over year to year until employees leave the District's employment. The board may pay for all or some of the accumulated sick leave upon retirement of employees. As the District's employee is not set to retire in the near-term and there is a range of payment possibilities, no accrual is made in the financial statements for compensated absences.

SUPPLEMENTAL INFORMATION

GEARY COUNTY RURAL WATER DISTRICT NO. 4
BUDGET REPORT - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Over (Under)
OPERATING REVENUE			
Water Revenues	\$ 300,000	\$ 310,885	\$ 10,885
TOTAL OPERATING REVENUES	<u>300,000</u>	<u>310,885</u>	<u>10,885</u>
EXPENDITURES			
Bank Charges	487	417	(70)
Billing Services	7,800	7,982	182
Chemicals	9,600	7,159	(2,441)
Dues	589	1,544	955
Fuel Surcharge	-	286	286
Insurance	13,317	14,824	1,507
Maintenance	15,362	14,092	(1,270)
Miscellaneous	209	1,343	1,134
Office Supplies	4,314	1,233	(3,081)
Officer's Fees	1,440	1,440	-
Payroll Taxes	3,366	3,348	(18)
Postage	2,168	3,233	1,065
Professional Fees	7,360	6,931	(429)
Recording Secretary	1,080	1,170	90
Reimbursements	3,189	2,236	(953)
Retirement	1,166	1,245	79
Supplies	4,875	5,753	878
Taxes - Clean Water Fee	1,233	794	(439)
Taxes - Water Protection Fee	1,316	847	(469)
Telephone	2,779	2,913	134
Utilities	26,231	26,945	714
Vehicle Expenses	2,841	1,519	(1,322)
Wages	44,478	41,770	(2,708)
Water Conference Expense	2,395	-	(2,395)
Water Testing	1,102	1,227	125
TOTAL OPERATING EXPENDITURES	<u>158,697</u>	<u>150,251</u>	<u>(8,446)</u>
DEBT RETIREMENT:			
Principal Paid	48,800	48,800	-
Interest	13,626	13,626	-
Loan Fees	807	755	(52)
TOTAL EXPENDITURES	<u>221,930</u>	<u>213,432</u>	<u>(8,498)</u>
OTHER INCOME (EXPENSES)			
Capital Improvements	-	(30,143)	(30,143)
Interest Income	258	152	(106)
Late Fees	2,400	-	(2,400)
New Benefit Units	10,000	10,000	-
Rent Income	600	600	-
Water Deposits	200	296	96
Meter Pit	-	1,400	1,400
Other Income (Expense)	-	181	181
Insurance Rebate	2,282	4,164	1,882
TOTAL OTHER INCOME (EXPENSE)	<u>15,740</u>	<u>(13,350)</u>	<u>(29,090)</u>
INCREASE (DECREASE) IN CASH	<u>\$ 93,810</u>	<u>\$ 84,103</u>	<u>\$ (9,707)</u>

The notes to the financial statements are an integral part of these statements.